

PRESS CONFERENCE:

Brigadier General Jeff Talley, Provincial Engineer for Baghdad, Multi-National Division – Baghdad

Mr. Nazar Al-Sultan, Chairman, Joint Provincial Council (JPC)

Mr. John Bass, Team Leader, Baghdad Provincial Reconstruction Team (PRT)

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Gina Chon from the Wall Street Journal

Larry Kaplow from Newsweek

Other reporters not identified by name or press affiliation.

REPORTERS 1-6

***REP1 = REPORTER 1**

***INT = INTERPRETER**

BG TALLEY: Okay. Good afternoon and thank you for coming. I'd like to introduce myself. I am Jeff Talley. I am the provincial engineer for Baghdad for the Multi-National Division – Baghdad. And to my left is Mr. Nazar, who is the chairman for the JPC. And to my far left, to your right, is Mr. John Bass, the Baghdad PRT leader. And so what we'd like to do this morning or this afternoon is, really, go through some very short discussions and presentations, and then hopefully entertain your questions. So with that, I'll go ahead and get started. As you can see behind me, we have a few slides that I will run through.

So good afternoon and thank you for coming to this press conference. Please accept my appreciation for what you are doing as reporters and journalists in telling the important story of progress regarding engineering and reconstruction activities within Baghdad. For the last 10 months, I've had the privilege of being the provincial engineer for Baghdad for Multi-National Division – Baghdad. And during that time, I am pleased to report that the level of cooperation and partnership between Multi-National Division – Baghdad and the Government of Iraq has resulted in tremendous improvements to the infrastructure and the availability of essential services to the citizens of Baghdad. It is very important to realize that these construction-effects operations are not just significant in their

ability to execute needed engineering projects; but more importantly, they directly contribute to sustaining security within Baghdad. Delivery of visible projects, services, and assistance that enable hope within the citizens of this great city in turn foster better cooperation with the Iraqi Security Forces and the supporting Coalition Forces. And all these efforts are helping us to engineer the peace. Over the next few minutes, and highlighted in eight slides, I will attempt to provide you with a brief overview of some of the construction-effects efforts as associated with named operations. Please understand that these do not represent all of our efforts, just an example of some of the great cooperation that Coalition Forces and the Government of Iraq actions that have taken place to improve the lives of the citizens of Baghdad. Next slide, please.

Behind me you will see a map of Baghdad. We have seven named construction-effects-and-assistance operations underway. All of these operations are under the supervision and general support of Task Force Gold, which is a subordinate organization within my command. The combined efforts of these operations represent 368 projects and actions valued at over \$72 million. The majority of this money is from the United States and represents a commitment from the people of the United States to help the Iraqi citizens. In every case the work is done by Iraqi contractors, who are required to hire

local citizens to execute this work, providing the additional benefit of economic stimulus. All of these projects are identified and developed in cooperation and coordination with the Government of Iraq, specifically the Office of the Amanat, the mayor, appropriate ministries and local counsels such as the DACs and the NACs. Projects comply with Government of Iraq material specifications, and the Government of Iraq representatives are involved in all of our quality assurance and quality control inspections to ensure the work is acceptable.

The seven operations are named as following:

Operation Environment Gold, which is in Sadr City. We have 195 projects, valued at \$44 million of effort. And this is since last May, May of '08. One-hundred and sixty-three of those projects are complete, and 32 are still ongoing.

Moving down on the map we have OE Gold Spike, which is centered in Rusafa, which is old Baghdad. Fourteen projects are currently ongoing, valued at \$2.5 million.

Continuing on, OE Iron Panther, just beginning its efforts. And it's in and around Al Fatah Leah[ph].

Iron Gater, a \$2 million effort, representing reconstruction assistance in the vicinity of Salman Pak.

OE Iron Raider; it's just underway in Rasala area.

Iron Gimlet, 98 projects, with 90 ongoing and 8 projects completed to date, valued at \$7.3 million.

And then Iron Dagger, 27 ongoing projects in and around Shu'ala, and just south of Shu'ala, Ghazaliyah, for about \$3.5 million of effort. Next slide.

As already stated, tremendous effort has been made to ensure projects and all activities are truly a partnership between Coalition Forces and the Government of Iraq. In this slide I show some of the key leaders that have been very instrumental in this partnership – Dr. Samad, the minister of displaced persons and migration, and also the chairman of the prime minister's Committee for Reconstruction of Sadr City and Shu'ala; Mr. Jassim Jafar, the minister of youth and sports, has also been very helpful; Deputy Mayor Nayim; and Mr. Mu'een, the chair of the provincial council. And certainly not last or least is Mr. Nazar. This slide does not

represent all of our partnerships as a number of caring Iraqis have been very helpful in the coordination of our efforts.

The remaining six slides present pictures of some of the work that we have done in and around Baghdad and they're represented by the acronym, SWEAT-H, S-W-E-A-T dash H. The S stands for sewer. The W stands for water. E for electricity. A for academic or schools. T is for trash, and H is our work associated with health, hospitals, and clinics.

In this slide you can see Baghdad's sewer system is comprised of approximately 280 sewage lift stations, many kilometers of sewage collection pipes, and three primary wastewater treatment plants – the Karkh Wastewater Treatment Plant east of the river—excuse me, west of the river—and two plants east of the river. Our projects repair damaged sections of the sewage system to improve the health and quality of life.

Water. Proper water supply and water treatment and distribution are essential to support Baghdad's growing population. Our projects have repaired several pump stations to improve the raw water supply for irrigation and drinking water, plus they assisted in improving water treatment facilities and their associated distribution

lines. One specific example of cooperation is the Army Canal Project, which is being developed by the Amanat, but we are providing technical support.

Electricity. The electrical grid in Baghdad currently supplies roughly about 69% of the projected needs of the city, albeit the demand for electricity continues to grow as improvements in electricity generation and distribution improves. Since all essential services have some dependency on electricity and the current grid cannot meet the demand, we have initiated a large number of project generation improvement and micro generation projects, and the installation of a significant number of solar light projects to reduce the strain on the national grid.

Academics or schools. Education is critical to the future of Iraq. We have partnered with the Ministry of Education to build and refurbish schools. We have refurbished 39 schools in Sadr City alone, and are replicating these efforts across Baghdad.

Trash. Multiple trash collection and disposal projects to improve commercial and residential areas have been completed and are ongoing throughout Baghdad. As previously stated, all of this work has been done by the hiring of local citizens, which serves to

stimulate the economy. In addition, proper solid waste management for trash and other waste products reduces the opportunity for the emplacement of improvised explosive devices, which helps improve the security for the citizens of Baghdad.

And finally, health. Partnering with the Ministry of Health, we have targeted various hospitals and clinics with refurbishment projects to enable a higher level of care for the sick and injured, while creating a better work environment for the medical personnel that work there.

In closing, although much remains to be done, the future is bright for the Iraqi people and their government. May God continue to bless Iraq and our efforts and partnership as we engineer the peace. Thank you. Mr. Nazar.

MR NAZAR: [Speaks in Arabic.]

INT: Thank you very much. Thank you, Brigadier General Talley, about telling us about the achievements for the military engineer team responsible for Baghdad and the achievements that we've done in Baghdad during your service, sir.

Before talking about the key topics at Baghdad Council—I'm Nazar

Hadim[ph] Al-Sultan, Baghdad Province Council Chairman. I'm responsible for Baghdad Amanat. I work for...as the chief for Joint Planning Committee and Energy Committee, also a member at housing...Central Housing Committee, and the committee which is responsible for the general development of Baghdad City, which is funded by the International Bank.

During the last three years, we have achieved projects; with support of Coalition Forces, we have achieved very big developments. The citizens felt these achievements after the improvement of the security situation. As water sector, during the beginning of 2006, the water that was produced in Baghdad City did not exceed two millimeters...two million cubic millimeters. But now it has increased.

Also, there are other strategic programs. They are going to be reflected positively on the citizens of Baghdad within the coming years. One of them is the Rusafa project for water. We have transferred the project to an Iraqi-French company with the...28 months as duration for completing the project.

Power sector. The security situation Baghdad had witnessed within the last four years, it was critical situation. The power lines were

targeted. Also, the key stations, which led to a reduction in the...reduced the production. 2007-2008, we have started to sense a difference as it has started to increase all over Iraq. But that share was.... We believe that the Ministry of Power have crossed the critical point, which we call the “no return point” on the power system, and we are following up the projects with the Ministry of Electric Power. And we believe in 2009-2010, we...Baghdad would get no less than 70% of its need for power. It is a very distinctive figure, we consider it.

As for roads in Baghdad, the statistics to pave the roads of Baghdad, we need 150 billion square meters. This is a very big challenge for the central and federal government. The U.S. part is...are serious...the U.S. side is serious in working to pave these streets or roads of Baghdad. We were able to pave six million square meters. There are some limitations that are...we're limited with our capacity through the cement factories and our....

We have many fields that Baghdad Council have worked on conducting them during the three and one-half years. We worked side by side with Coalition Forces on service sectors. The important subjects that Baghdad Provincial Council worked on is to succeed the provincial government as it is a new establishment. The

provincial council started with 150 members. We started with a headquarters in Baghdad. Our headquarter is well-known in Salhiya. The number now is 300 members. Over than 17 specialized committees are working in this institution to control and plan the administrative services for Baghdad. The planning have consumed lots of our efforts and consumed lots of time with cooperation with the Coalition Forces. Now, for sure, we are ready to continue our work after the elections.

Other topics I would like.... The brigadier general have talked about is the environment and the schools, also the big number. Baghdad has 3,600 schools. They need refurbishing and rehabilitation. We have crossed 80% of our refurbishing process. This does not come just like that; lots of efforts have been exerted. We have built over than 30 schools in 2008. Most of them are almost done; the others are within progress. The school supplies and furniture. Our council have offered desks and boards...writing boards for across Baghdad schools.

As for power, as it is a federal system, we could not work about the production there. But we worked on improving the grid and distribution of power on Baghdad. We have off-...provided a big number of cables and Coleman's. Numbers have exceeded... seven

billion Iraqi dinars have been provided to distribution directorates.

Also, big projects at sewage system. Baghdad Provincial Council recently have transferred very big projects with the capacity of 100,000 cubic meters to improve the treatment stations in Baghdad. Over than—or should I say 13 have been distributed...13 stations have been distributed across Baghdad. Over than 160 billion Iraqi dinars have been spent on this project. Also, the capacity for major transporting lines for sewage, over \$100 billion...100 billion dinars for.... Also, there are two other additional lines at Karkh area; we are going to work on them in the coming phase.

Our problems in Baghdad are very big, but that is the capitol of Iraq; seven million population. The abilities are not enough for all of Baghdad's citizens. But we have worked on this with the Coalition Forces and it is...we did much of it. We cannot cover it all in one conference. So the Coalition Forces have also paid big efforts for...in the service sector. Within the coming projects, we are going to see the results at major sectors such as water and sewage.

Finally, I would like to thank you again for your follow up. I would like to thank the brigadier general for hosting us, and Mr. John Bass for following us without...following with us the situation of

Baghdad's citizens. Thank you very much.

MR BASS: Shukran jaziilan, Sayyid Nazar, General Talley. As General Talley indicated, my name is John Bass. I am the team leader for the Baghdad Provincial Reconstruction Team. I'm a career member of the United States Diplomatic Service.

For those of you who may not be familiar with the Provincial Reconstruction Team concept and program, PRTs—as we call them—are joint platforms between the Department of State and the Department of Defense to provide a degree of expertise and capability in a post-conflict environment here in Iraq and in Afghanistan so that we can assist the governments of Iraq and Afghanistan—and I'm going to confine my remarks, obviously, to Baghdad Province—but so that we can help the governments of both countries begin to repair and rebuild and improve their abilities and capabilities to deliver services and meet the needs of their populations.

The slide you see on the screen represents our organizational structure here in Baghdad. The team that I lead is paired with Multi-National Division – Baghdad and we have responsibility for the entire province. I also work very closely with General Talley and

his combat engineers. In addition to that, we have six smaller teams that are working with...living with the six maneuver brigades, which have a portion of Baghdad Province where they are paired with Iraqi Security Forces and working with local officials on the challenges they face in their communities.

Collectively speaking, this is the largest PRT platform in Iraq and the largest in the world. We have about 250 civilians, soldiers, and Iraqi colleagues, who all work together in a mixed environment with the primary objective of meeting needs identified by the Iraqi people, primarily through their elected representatives, represented here today by Sayyid Nazar.

We have important relationships with the U.S. military but, frankly, our most important relationships and the most important work we do are with Iraqi officials and Iraqi citizens. We work with the elected officials; we work with career officials of the provincial government, the governate, and the municipal administration of Baghdad. And we also work closely with a variety of citizens across what we call civil society here in Baghdad – from the professions, from the academic community, and from the private business sector. And we do all that in the spirit of being guests here in Iraq and trying to ensure that our efforts reflect the needs and priorities

identified by the people of Iraq. If I could go to the next slide, please.

What you see here is conceptually a trend line for our efforts and for the conditions and circumstances we see here in Iraq. The middle word of the title of our organization, reconstruction, it has several meanings actually. There's obviously the one we've been principally talking about here today, which is physical reconstruction: rehabilitating infrastructure, building new infrastructure that meets physical services. But it also has another meaning as we define it, and that is rebuilding and repairing relationships between government and the citizens it is supposed to serve across government institutions, between the sub-provincial and the provincial level and the national level and, frankly, across organizations within society, whether they are part of the elected government or part of that broader set of civil society that we talked about. And in our definition, reconstruction also includes helping build the capacity of these organizations to face and deal with and respond effectively to the many challenges that the people and the government of Baghdad Province face after a number of years of conflict and several decades of neglect and attention that needed to be paid to the needs of infrastructure.

You see on this trend line that as security improves, our ability and the ability of the Iraqi government to address the service needs of the population also improves. So where my organization – two years ago, in a very different security environment – was focused on immediate needs, on essentially trying to replace the capacity of Iraqi institutions that weren't able to be out addressing problems with infrastructure because of the security environment, we, frankly, are now in a position where those institutions can fulfill their natural responsibilities, and our challenge is to help them do that. So we don't want to do it for them; we want to help them do it themselves. And the way we go about helping them do it is very much a consequence of needs they identify to us, specific technical assistance they ask us to provide, connections they ask us to make with counterparts across professional institutions and professions outside Iraq.

I would just note, I think Sayyid Nazar has been a bit modest in describing the challenges he and the provincial government face here in Baghdad, because they not only have the challenge of repairing all of the damage that comes from conflict and trying to address the backlogs in maintenance that are a function of 20 and 30 years of neglect of infrastructure, but they also have the challenge of trying to anticipate and plan ahead for the needs of a

growing urban environment. And at the same time, they're trying to do all of that by meeting the rising expectations of the citizens of Baghdad who are, frankly, and for very understandable reasons, impatient to see the city they used to live in and the city of memory in Baghdad return to its past stature as a great city of the world. And so I think he has an enormous task ahead of him. He's been a great partner of ours as we've tried to help him and his colleagues on the provincial council move forward. If I could go to the next slide.

As we think about that transition from a classic counterinsurgency environment to more of a development environment and how we've made that shift from the sorts of physical construction projects that are still necessary but, frankly, less a focus of our efforts, you see here at the top how we've gone about doing that. We've...we're closing out some projects that we started over the past two years to fill some of the gaps in capabilities and in institutions that had existed. And we are increasingly focusing our efforts not so much on projects, but on what I call process and capacity development. So we're not trying to build or repair the sewer network for the City of Baghdad. We're helping the City of Baghdad develop the analytical tools to be able to assess their sewer networks themselves and make informed decisions based on objective data about what their most pressing priorities are.

We are also working to help connect professionals across the government here in Baghdad and professional educators at Baghdad University with their counterparts outside of Iraq so that they can expose themselves again and reconnect to a wider professional community across the region and, frankly, across the world so that they can draw on a much wider range of contacts and capabilities in trying to address the very real problems and challenges of municipal governance that any of us would face and, indeed, we face in many communities in the United States as well.

And we're also looking at ways to help make those same connections for Iraqi private businessmen who are trying to connect themselves to international financial networks and to private entrepreneurs and private business outside of Iraq. Some of that involves training; some of that involves creating that first step in a relationship that then, frankly, takes off on its own momentum.

I would just like to note in closing, before we take your questions, that even in the six months that I have been here, I have seen quite a dramatic shift in the capacity of the provincial government and the municipal administration in Baghdad to begin addressing their own problems with an increasingly sophisticated capability to analyze

their problems and apply a finite set of resources to tackle the most important ones. I think there are some great examples of that that we've seen. The one I like to think of—because I drive it on a regular basis—is Airport Road, which is a wholly Iraqi-funded rehabilitation project. We've partnered with the provincial council and the city administration to help them with a bit of planning for a similar revitalization effort that they've announced for the Army Canal. And as Sayyid Nazar mentioned, they have already moved forward to create a new water network for the east side of the river on the east side of the city.

So I think in addition to the many transitions which are underway this year as we have shifted to a normal bilateral relationship based on mutual respect and understanding between the United States and Iraq, and as we transition through a series of elections here in Iraq and see a new presidential administration take office in the United States, here at the provincial level in Baghdad, I see a very real transition in the capability of the local government to address the needs of its citizens.

So thank you very much. And with that, I think we'll take your questions.

BG TALLEY: I think I saw your hand up first.

REP1: [Asks question in Arabic.]

INT: Majda[ph] Shedi[ph]. Secretary/editor. The question is for all the three of you.

Iraqis are impatient. I don't talk as a reporter; I'm talking as an Iraqi citizen. All the numbers, all the figures and the projects and the achievements that have been mentioned here are just illusion. You might ask me why, how come? I wish of you as officials and foreign reporters, I would like to take you all on a trip in Baghdad, the center.

You say a lot about you have expended lots of amounts on developing it. The projects, during Saddam's time—I'm not praising that regime, but despite all the circumstances, the services during his time were better a thousand times. The funds of Iraq are leaking. They are in the hands of contractors. It's hard for me to say that Iraqis do not wish...do not want to build their country, starting from the top figure.

The U.S. Coalition Forces, we thank them for all their efforts and their achievements; I'm not blaming them. I'm not blaming the

Coalition Forces. But there...I'm very grateful for them. They have exerted a lot in developing the infrastructure in Iraq. We are lacking the Iraqi official starting from the prime minister until the lowest official.

Let's talk about power. We talk about it and the minister of power never showed up over here. The U.S....the former U.S. health minister, he appeared here and our minister of health was not here. I don't like to make it long, but let's talk about other projects. For the pavement of streets, they are...have been digged and left for over a year now.

I have many questions. I just—please, be patient with me, sir. Mr. Nazar, please. We do not omit courtesy over here. Sir, please.

[Brief exchange between REP1 and MR NAZAR without translation.]

REP1: [Continues speaking in Arabic.]

INT: As for the roads, you have digged them. At Karrada you paved it over than one...over than once. The pavements also.

The millions, why are you wasting the money like this? Is it...have

not been planned? Why did you choose those people? Why is this corruption? The technical university, Amana[ph], Garaj[ph], Camp Sara—those streets were good. The sewage system was good there. I'm wishing for you to go there—and take maybe a canoe with you because there are puddles there. Go there!

Let's talk about schools. You are refurbishing these schools over than once and other schools are...have been neglected. You are working on the same schools every and each time. Yes, you are distributing lots of desks and boards, but without planning, without.... Some schools have received more than once and some schools have been deprived from this privilege. Why?

**INAUDIBLE
SPEAKER:**

[Speaks briefly off microphone.]

REP1:

[Continues speaking in Arabic.]

INT:

Don't ask me where! You should go! This is your....

**INAUDIBLE
SPEAKER:**

[Speaks briefly off microphone.]

REP1:

[Continues speaking in Arabic.]

INT:

Okay, authorize me and I'll give you statistics. Some schools....

As for power, we're thankful. I would like to praise the light

illuminating at the roads. It is there. But also you have transferred this project to an unprofessional. The solar system, they work only for two days and they are broken.

Why is this corruption, sir?

MR NAZAR: [Speaks in Arabic.]

INT: The question is for me? I thank you, sister. All your complaints and pains...all the pains and complaints of the citizens of Baghdad, they are too many. Before the collapse and after the collapse. I believe the majority of the problems are the accumulations of the previous regime and we are paying for these. We have to pave 150 square meters of Baghdad streets. We do not have enough money.

Yes, we are facing technical problem, yes. We are aware that the [unintelligible] staff have been isolated from the world and their technical expertise are not...are away...the challenges are way above their expertise. So I have 40 engineers. During Saddam regime, maybe 10 or 15 projects were implemented per year. But now, today, in one year, hundreds of projects have been accomplished. Forty engineers; each one of them is face...is controlling 10 projects.

About the asphalt quality, we are not procuring it from Doura Refinery, so the one we're getting is not a good quality, that's why the projects are failing.

2005-2006, until the half of 2007, we have...most of our staff have been killed. Myself, I had planned more than one mechanism for...to fight corruption. Three of my staff paid them their lives as a price for this...these plans. They killed one of them in the street. His assistant, after six months as he was working on corruption...financial corruption, he was killed at his house at Harthiya. Two of Baghdad Amanat Directorate were working on financial auditing, were killed at the road. I am only chairing and following up these issues.

The street is under the control of gangs. Do you believe that we can have organized work and we are controlling the projects totally? We are in a critical situation. The gangs and the outlaws are controlling the roads. Al-Qaida also. We are working within such circumstances. We're...our work is continuous because we and our partners, the friendly partners, we have a vision for...during this time, which is to stop the unemployment and create job opportunities so that people would not go and work with the outlaws. So we're making these projects to pay people and to stop

them from fighting the government. We're forced to work for main reason. We're aware that we might fail, but we just need to create more job opportunities and to keep the youth away from these corrupted groups.

Also, yes, of course, we are facing problems. And we have talked more than once. We need a base...a basic scientific analysis in that we need to develop our metals[?] staff; they are isolated from the world. The ward[?] now is working on very complicated systems on environment and roads and reconstruction. We need to involve experts...international experts, but no one have came to us. 2006 until now, we have witnessed some positive improvement. Foreign companies are entering and would like...they would like to invest in Iraq.

The U.S. companies have...I have talked more than once with the U.S. generals. Where are your companies? If your companies had not entered into Iraq, people...the world are going to still have this weird look towards Iraq; they would think that U.S. is responsible for security in Iraq. If they do not see U.S. companies enter Iraq, they would think that it's not suitable yet for other...the foreign companies to enter. They are waiting for the U.S. companies first.

All the fields of services are open. Yes, the coming phase, we have offered investment chances. We opened our doors to all companies to invest in all sectors, because we believe—and also we have facts. Let me give you just one example. The housing in Baghdad. We need 500,000 housing units in order to meet the needs in Baghdad. Baghdad has.... We need over than \$60 billion U.S. It is...we need to wait for six years ahead in order to meet this budget. I cannot wait all this long! So this is why I have to open the door for investment. Also to include...to involve the citizen to work with me, maybe give me from his salary a part in order to book him a flat or in order to face the shortage in the budget. Yes, we are working seriously on fixing the situation. Also very important projects and development...total development project for Baghdad. We're working on this project.

These projects cannot be conducted by Iraqi companies. They have never done it since the time of Abdul Karim Kassem until the collapse. The water systems are all...have been always made by foreign companies. We do not have the qualifications to work on these issues. We have started this project; by the end of 2009, it will be done. It is a very prominent and key achievement. Hopefully the coming phase would witness a very big development as the Investment Committee in Baghdad have opened the doors to receive

the investors from across the world.

BG TALLEY: Thank you for your comments. It's clear from your passion that you have tremendous concern for your city and for your fellow citizens. So thank you.

Next question, please. Yes, ma'am.

REP2: Gina Chon. Wall Street Journal. Given the drop in oil prices and how much that contributes to Iraq's revenue, and continuing problems with Iraq's ability for budget execution—even though I know it has improved—but it seems like there's still problems with Iraqi officials spending the money that they actually have, and then, coupled with that, the situation in the U.S. in terms of the financial crisis there and decreasing political will to help fund reconstruction efforts here. How do you see the future of rebuilding in Iraq? Are you worried that, just in terms of sheer funding, that it may possibly slow down?

BG TALLEY: I'm assuming your question is for Mr. Nazar or Mr. Bass [laughs].

MR NAZAR: [Unintelligible].

BG TALLEY: Yes, sir.

MR NAZAR: [Speaks in Arabic.]

INT: Thank you very much. The oil issue, I believe it have...it has its own calculations, the 2009 budget. The oil have reached \$140 and then it collapsed after that. For sure it would affect the budget of 2010 because we are done with the 2009 as it's...the budget was already allocated.

This situation...we should not depend on oil as a key source for our activities, but.... Also, it may face a challenge on our reconstruction projects. Also, we have the agriculture sector, tourism. We have the religious tourism and cultural tourism. We can make use of these sectors in order to support the budget of Baghdad especially, and Iraq in general.

We believe depending on what we have on our hands of oil, it does not meet the growing need for the development and reconstruction programs in Iraq. Thus, we're determined to invest in all sectors in Baghdad according to our responsibility in this field and to the support of other major sectors. Also to issue special loans for Baghdad to make use of big economical revenues. Als-...especially if we knew the government now is losing billions of dinars and

dollars of major sectors due to the weakness in controlling these sectors.

As for power and water sectors, these are produced with very high cost. All over the world, these services are not offered for free. But in Iraq, the Iraqi government cannot make use of the cost of producing power and water and hygiene and sewage so these are paralyzed. We cannot depend on the revenues. Thus, we are depending on the Iraqi government.

After the security improvement, yes, the government is going to work on paying...on receiving the bills of these services, which would reduce the pressure over the budget of the local governments and we would get rid of this problem.

MR BASS:

The...you know, clearly, the big challenge of government anywhere is to try to address a huge set of needs or a set of needs identified by citizens with a fixed set of resources. As we've seen from the interplay here, obviously there is an awful lot of pent up demand and expectations within Baghdad. The challenge going forward is going to be to try to address those in a logical, coherent fashion, according to a set of prioritized needs so you're making sure you get maximum benefit from those finite budget resources, whether

they're constant across a set of years or fluctuate according to revenues.

From our perspective, what we're trying to do is help give local governance the tools to make those decisions objectively. And I think even as levels of direct assistance through projects funded—whether they're funded through the U.S. Agency for International Development or through the coalition—as those resources decline, if we are applying the resources we have to the capacity of the Iraqi government to plan and execute and budget more effectively, then that process going forward should improve as well.

BG TALLEY: I think I would just finish up answering your question by saying that the projects that we've done within Multi-National Division – Baghdad by Coalition Forces are, first and foremost, tied to security. We generally don't use American taxpayer money just to repair the sewer because it needs to be repaired. We...what we do is we try to go into those areas that we think construction-effects missions will improve our relationships with the people where perhaps they can provide us and the ISF information to try to improve security by stopping the various militia that are out there harming the Iraqi people. And in the process, they get an improved infrastructure or improved essential service, and we also are able to

help teach, mentor, and coach our counterparts in the engineering, scientific community within the Government of Iraq and elsewhere.

So thank you for your question. Did we answer your question, ma'am? Okay. Next question. I saw his hand first, but I will promise, sir, we'll get right back to you. Yes, sir.

REP3: Thank you. Larry Kaplow with Newsweek. I wonder if Mr. Bass could just go over what your budget is...looks like for this year that—I guess the fiscal year started in October. Are you budgeted to maintain the PRT set up you have? And do you know what the budget is for this year compared to last year?

MR BASS: Thanks. We operate on supplemental funds primarily with the exception of some of our personnel resources, which are sourced out of the normal State Department. Most of our programmatic resources come out of a large pool held at the Embassy. And on kind of a competitive basis, we're competing with other provinces for well-designed efforts that are targeted for maximum benefit. So it's hard for me to give you a fixed number for Baghdad Province specifically going forward. In part, that's going to depend on how well we do in those competitions. Because we're primarily based on the supplemental, it's...we're waiting to see, frankly, with the new

administration, how they decide to proceed going forward with that mix of operational and programmatic support.

But our intention is to, you know, is to focus—through at least the end of the fiscal year, which puts us into the fall of '09—with closing out the brick-and-mortar projects we've got that are underway from prior year funding, and to concentrate the bulk of our efforts on that process and capacity development, which often doesn't require a lot of money. It's primarily based in listening to Iraqi needs and figuring out—is it a little bit of technical assistance they need? Is it a range of contacts with professional societies or U.S. universities or some mix therein? And we think we're going to get pretty good value out of that and still be able to be pretty effective this year even if our programmatic resources decline.

BG TALLEY: Sir, does that answer your question?

REP3: Yes, thank you.

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BG TALLEY: Okay. I believe.... Yes, sir.

REP4: Thank you, sir. [Unintelligible] from [Unintelligible]. My question for Mr. John Bass. [Asks question in Arabic.]

INT:

Sir, John Bass, the question's for you. You're planning for reconstruction in Iraq. I do not notice that some attention by the media. Would you pay attention to the media so they would help the country and spread awareness for...to the Iraqi citizen how he may look after the sewage, the sewage pipes, the power grid—the service? How can the citizen take care of his service system?

As you are aware, the media – the read media, the heard media – all are focusing on political trends. They are busy covering for politicians. Why don't you plan to pay attention to the media as they can contribute to your effort of developing the country? Thank you.

MR BASS:

Thank you very much for your question. I made an important oversight as I was describing Iraqi civil society. It was an oversight in my remarks as opposed to an oversight in our approach to this effort. We believe the Iraqi media is very much a part and an important component of a vibrant civil society here in Iraq. And because we believe that, and that reflects a strong belief of the Embassy as well and is a reflection of U.S. policy here and our programmatic aims, we actually have invested effort and energy and finances in several programs to help train Iraqi journalists. And frankly, we've also put some resources into helping our colleagues

in provincial government here in Baghdad learn how to communicate their programs and their efforts to a free press and to understand how to present that information in a way that educates the public as to what is underway.

I've been to a number of meetings of the Joint Planning Committee that Mr. Nazar chairs as well as a number of other events focused on essential services or particular aspects of those challenges here in Baghdad, most recently a conference on environmental challenges in Baghdad earlier this week. And I'm, frankly, always impressed by the number of Iraqi journalists who are there and how hard their questions are. So it seems to me that that piece is coming along, and I think it will be a very important part of Iraqi society going forward.

BG TALLEY: Sir, did he answer your question?

REP4: Yes, thanks.

BG TALLEY: Okay. Any other questions? Yes, sir.

REP5: Mr. Al-But[ph] talked about foreign investment, and I think that's going to be a crucial piece of the big picture. Can somebody talk

about what kind of foreign investment? I presume that there's a huge dearth of foreign investment right now. But what's the forecast for...? And I'm presuming a lot of that has to do with...is going to be based on security.

I know that security has come a long way in the past few years—I can walk around the streets in Baghdad now. But in talking to people, there are still people that don't want to speak English because they're afraid that they're going to be targeted then. That's not the kind of atmosphere that's going to lure in foreign investment so I don't think we're there yet. But do you have an idea of a forecast? When are you thinking that foreign investment might be lured into the area?

MR NAZAR: [Speaks in Arabic.]

INT: Frankly, the foreign investments, we are facing two problems for investments in Iraq. First problem, we believe we have accomplished it, which is the security situation. We hope that it would develop more and would be encouraging for investment.

The second problem, which is the most important, is the economy's strength in Iraq, the individual economy's strength for the Iraq citizen. Like...let's talk about housing. We would like the

companies to come and build housing compounds. These would cost lots...big deals of money. Can an Iraqi citizen buy a company...buy a flat that would cost \$300,000 U.S.? Iraqi citizen cannot pay this much. We would face a big problem. That's why we need to base our investments on modest level. The Iraqi individual depends on the investment's success.

Let's talk about five-star hotels in Iraq. For sure I need big numbers of these hotels. But is it possible...do...for certain class of citizens in Iraq are going to make use of these projects? I don't believe there is a big population in Iraq are going to make use of this because the rich people are a very low percent in Iraq. We are under the wanted level...the level we want to reach.

Still, there are some chances we believe have started to move towards investment in major sectors inside Baghdad. Our expects for 2009 that tourism sector is going to grow as to build resorts and also the religious tourism projects. There are four or five investment chances across Baghdad. But it's still the investments in Iraq, we consider it under the wanted level. Thank you.

BG TALLEY: Sir, did he...was that sufficient to answer your question?

REP5: [Responds off microphone.]

BG TALLEY: Okay. Great. Any additional questions or comments by anybody?
Yes, sir. A follow up?

REP5: Not necessarily a follow up, something different. And I hate to bore everybody to death here, but I'm curious about—you had mentioned black water before, sewage systems, as well as clean water, the water system's purification systems. Could somebody give me just a brief overview of what those systems are like right now? I read that there are three wastewater treatment plants in town. Are they working at capacity? What kind of standards are they putting the effluent out at? And vice versa, the clean water then. How.... I know nothing about the systems so I presume you're pulling off the river here, and how well is that system working?

BG TALLEY: I can—Mr. Nazar, I can start and then hand it over to you. Is that okay?

MR NAZAR: Yes.

BG TALLEY: Okay. Simply put, there are three wastewater treatment plants in Baghdad. One is to the west of the river, the Karkh Wastewater

Treatment Plant. And it handles...it has a capability to handle the largest volume of wastewater that basically is delivered to it through a very extensive—what we call in the environmental engineering business—collection system, which is pipes. East of the river we have two smaller plants. Now, the challenge with all three of those plants is all three of those plants are not fully functional and operational, and I'll allow Mr. Nazar to provide his comments on those.

Water, on the other hand, water has been somewhat of a success story in that there have been significant improvements in the last 12 months in Baghdad with regards to the availability and the increase of drinking water. And the drinking water, of course, as the raw water is drawn out of the Tigris via pump stations—and I showed an example of Jadriya Pump Station, which is one of those pump stations where we bring the water in and it goes to a series of water treatment plants and then, of course, distributed. The availability of drinking water is significantly better now than it was 12 months ago.

A future challenge of the drinking water within Baghdad is associated with cross-contamination. One of the challenges, as people are eager to get drinking water, there's still, unfortunately, a

lot of illegal tapping into those distribution lines, which are pressurized. If you get enough of tapping into those distribution lines, what happens is it actually reduces the pressure, creates a vacuum, and it will suck in anything that's adjacent to the water line. Unfortunately in Baghdad, the wastewater lines – collection lines and the water distribution lines, which are drinking water – are co-located in many cases, and so it will suck in the sewage that may be leaking out of the sewage lines, which cross-contaminates. Now, a good thing that the Government of Iraq is doing is they are having a higher degree of chlorination for disinfection, so a higher level of residual contamination within their distribution system, which helps to keep a stronger ability to disinfect bacteria that causes human health problems.

So I guess to summarize, I think the water situation is significantly improved and it's going to continue to improve, and I think the Iraqis are appropriately focused on it. On the wastewater side, they have spent most of their energy, so to speak, focused on collection systems—repairing the collection lines. But they...a tremendous amount of work needs to be done on the wastewater treatment plants themselves. And Mr. Nazar can talk about that I'm sure. They've...they're just recently put out a request for proposals to rehabilitate the Karkh Wastewater Treatment, which is the one on

the west side of the river. And they have begun to hire the contractors to come in and rebuild that. So...but I would tell you, that's probably, in my personal opinion as the provincial engineer for Multi-National Division – Baghdad, the wastewater focus on the treatment side is probably where we need to put the most emphasis between water and wastewater.

And with that I'll allow Mr. Nazar to provide his comments or additional information.

MR NAZAR: [Speaks in Arabic.]

INT: Thank you. As for the sewage and water...drinking water, the sewage system in Baghdad has...have been planned as for three million population. But Baghdad now has seven million population. We are having a shortage now in sewage system. We consider this a very big problem that contaminating the Tigris River. 2008, we were able to add two sta-...two units. The leakage is over 4,000 square cubes. Also, the Baghdad Amanat staff are working on rehabilitating these stations. Also we have a Japanese grant with \$400 million U.S. to work on the sewage water from Al Karkh station.

The sewage has a priority. We're always following up in order to

put a schedule to end the violation of pumping the sewage water in the Tigris River. We're having lawsuits, and then we are in question according to the new constitution situation.

As for the drinking water in Baghdad, the biggest project is in Karkh project and Taramiyah, which produce 1.3 million. Baghdad now needs 3.25 million of cubic milliliters. The people are using the motors...pumpers to get water. These might lead to pulling dirt and would make pollution and contamination. We have certain cases at systems which are away from the source of production. 2009, after achieving many projects which are now undergoing, we expect to reach a good level.

But Rusafa big project, it is the final solution for Baghdad. It has three phases. The 2.5 million cubic milliliters are the capacity of this project once complete. This project is the basic step. The funds have been allocated. It will save us from the problem of stations and the micro projects in Baghdad which have cost us a lot. As for staff and expenditure, fuel, it has paralyzed the efforts about providing pure water...drinking water for Baghdad. We believe once this project is working, we're going to control providing drinking water in Baghdad, both sides – Rusafa and Karkh. Thank you.

BG TALLEY: They have focused appropriately on water supply and treatment because, of course, they're trying to provide irrigation water as well as water for drinking water, i.e., treatment. The reason they're focused predominantly on surface water, as Mr. Nazar mentioned, is their drinking water comes from the Tigris. There are 14 aquifers within Iraq; 12 of them are not acceptable as a source for water because they have a high level of total dissolved solids, specifically ionic salts. And so they can't really get their water for irrigation and for drinking water from the ground because it has too-high levels of salt. So they were very dependent upon the Tigris River. So they've focused on the water supply, then the water treatment and distribution, and now they're trying to get after the wastewater treatment which, as was indicated, is a huge effort that they're currently focused on.

That's a great question and I'd be happy to talk environmental engineering with you after the press conference if you're interested, sir. Yes, sir. Question?

REP6: [Asks question in Arabic.]

INT: My question is for you, Mr. Talley, according to your field of expertise. The question is about two ministries, the environment ministry and the health ministry. Sir, the treating the liquid waste,

how come you do not build units in Baghdad hospitals to treat the liquid waste? I know that each hospital should have the waste of the hospital as it is a very critical source for spreading diseases. As it is it would be mixed with the sewage, then it would be released in the river. Sir, this is a very important question. Please, sir, answer it for me.

BG TALLEY: Yes, sir. I will. And that's a great question. I like it. Thank you.

What you're talking about is what we talk at...what we define in environmental engineering as the difference between a point discharge and a nonpoint discharge. A point discharge is when we have a factory or a hospital that discharges its waste products at one specific point. There are some hospitals—it is my understanding there are some hospitals and clinics that have their own treatment facilities to dispose of the hazardous waste that comes out of the medical field. Unfortunately, there are many—probably more that do not have it and they, in turn, are discharging, we believe, their waste into the sewage system.

It's not just an issue though with hospitals and clinics. It's also with industry. There are a number of industrial plants that also are doing point discharges, and instead of providing the appropriate level of

treatment before they discharge it, they are also discharging it into the sewage system. When—this, by the way, is a challenge that also happens in the United States.

And so the question is, we don't have sewage that's pure sewage as...which is your point. We have sewage that, unfortunately, has been further contaminated with organic and inorganic contaminants from both industry and from the medical field. And the Government of Iraq has recognized that. I've read some of their recent environmental assessments of where they've hired environmental firms to provide that assessment. And I personally have actually run...crunched the numbers and looked at it myself because I was very concerned. It is a concern and they are...one of the things that they are going to have to do is improve their ability to regulate those point discharges and hold those hospitals, medical clinics, and industries accountable for those point discharges.

As far as its impact to the human health and the environment, believe it or not, our calculations show that it's not as big of a hazard as the current sewage being discharged into the Tigris River. Part of that is because that's just a huge problem from the point of volume, a larger volume of material. But it is one—you're absolutely correct. It is one that does exist in Baghdad and I've had

many conversations with Iraqi engineers and scientists that are trying to address it. But I think the first step is going to be not just technology, i.e., the clean up, but the regulatory aspect of it by the Government of Iraq. And I know that they are trying to put some procedures into place. And this was a topic of discussion earlier this week at their environmental conference.

So I can't give you a definite solution. But I know that—you are absolutely correct. It's been identified and they are working to implement reparatory processes. So, anyway, that's about the best answer I can give you at this point, sir.

Do we have any other questions or comments from anybody? Yes, sir. A three-fer [laughs].

REP5: Last one, I promise. I spent the last three months out in Anbar and I know that out there water was a major concern because there is not enough of it. And they indicated to me that Syria had a lot to do with that problem because they're damming up the water up in Syria and it's not making it down here. Is lack of water in the river a problem?

BG TALLEY: I will carefully answer your question to the best of my ability and

then allow, certainly, Mr. Nazar and Mr. Bass to bail me out if I mess this up.

This was actually discussed at the environmental conference that the Government of Iraq held earlier this week that Mr. Bass referenced. What is happening, as I had mentioned, since the drinking water and irrigation water—since the raw water is predominantly supplied by the Tigris River for Baghdad, what...the volume of water that comes down the Tigris, of course, is then very important. What we have seen is a decrease in the volume of water that is coming down the Tigris in the vicinity of the receiving points where we draw the water out of the river. That has consistently continued to decrease over the last couple of decades. It is predominantly because of active engineering projects that are being constructed within...being constructed up-gradient on the Tigris, inside Turkey. Okay? And they're doing what any country would do. They are, of course, are building dams and projects to take advantage of the water that's in the Tigris, that's in their part of the country. But what that has resulted in is a decrease in the volume of water that travels down-gradient, both to Syria and, of course, to Iraq.

And it's really not a technical question; it's a policy question. And I

know that the Government of Iraq recognizes that they need to have continued negotiations with the governments of Turkey and Syria to get something in place to moderate the amount of projects that get built up-gradient that could, de facto, reduce the volume of water available to the Iraqi citizens in Baghdad.

Mr. Nazar or Mr. Bass, would you like to add anything?

MR NAZAR: [Speaks in Arabic.]

INT: As Brigadier General Talley have said, it is political...the issue has political and technical sides. In Iraq, we have a number of projects to establish down...on the western area. The previous regime was sending...stopped these projects. Also, to stop the neighboring countries' control over water.

Also, this...the issue has a political side. The negotiation and discussions with the neighboring countries, Syria and Turkey, in order to have a balance in consuming water and establishing irrigation projects. The former regime was not able to accomplish such projects or to have such relations with the neighboring countries as it had the aggressive trends. Now we're paying the price of this.

The ministry of irrigation is following up...or the Ministry of Water Resources is following up this problem. At the present time we do not have the capability to work according to this concept. Iraq is within the countries which is rich with its groundwater. We are encouraging the farmers on Baghdad's skirts to make use of this kind of water in order to use it in irrigation. We may work with the Ministry of Water Resources as it is involved in this matter.

The water projects recently have reached a very critical point as to procure important amounts to keep these projects running as the Tigris water is decreased. The situation continued this way. The provincial government might have to support this sector within the coming phase. Thank you.

BG TALLEY: Part of the solution also is not just political; it's trying to take advantage of technologies that can, perhaps, effectively make the use of, eventually, the groundwater that has a high ionic salt concentration, to be able to make it available as a raw water supply. And I know there are efforts ongoing to look at that through reverse osmosis, et cetera, as well as continue to promote minimization of water use and reuse of treated wastewater. So it's...there's multiple effects, but the Government of Iraq are aware of their challenges and I know that they will have success as they move forward.

Did we answer your question, sir? I think I saw a hand over here, maybe. Did I? Do we have any other questions or comments from anybody that is present?

Okay. I'd like...on behalf of the panel, Mr. Nazar and Mr. Bass, I'd like to thank all of you for coming. And most importantly, getting the information and the message out, both good and bad, to the Iraqi people and to the world. Thank you for everything that you do, and thanks for coming. We'll stay after the press conference if you have any personal questions. Thank you.